

AMENDED IN ASSEMBLY MAY 8, 2014
AMENDED IN ASSEMBLY MARCH 28, 2014
CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1770

Introduced by Assembly Member Dababneh

February 14, 2014

An act to add Section 2941.8 to the Civil Code, relating to real property.

LEGISLATIVE COUNSEL'S DIGEST

AB 1770, as amended, Dababneh. Real property liens: request to terminate home equity line of credit.

Under existing law, within 30 days after a mortgage has been satisfied, the mortgagee or the assignee of the mortgagee is required to execute a certificate of the discharge of the mortgage, as specified, and to deliver, upon the request of the mortgagor or another authorized person, the original note and mortgage to the person making the request.

Existing law requires a creditor to make certain disclosures to a consumer applying for a home equity loan, as defined. Existing federal law relating to lending practices specifies certain circumstances under which a lender may reduce or terminate an existing home equity line of credit.

This bill would require a lender, upon receipt of a *written* request from an authorized person, as defined, to terminate a borrower's ~~revolving line of credit secured by a mortgage or deed of trust, also referred to as a~~ home equity line of credit, *as defined*, when the secured property is in escrow. This bill would prescribe the contents of this written request, and would require the authorized person to provide a

copy of the written request to the borrower, along with a notice to the borrower relating to the effect of the termination of the home equity line of credit.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 2941.8 is added to the Civil Code, to
2 read:

3 2941.8. (a) Upon receipt of a written request from an
4 authorized person to terminate ~~a revolving an equity line of credit~~
5 ~~secured by a mortgage or deed of trust, credit~~, the lender shall do
6 all of the following:

7 (1) Terminate the borrower's right to obtain advances under the
8 borrower's ~~revolving equity~~ line of credit.

9 (2) Apply all sums subsequently paid by or on behalf of the
10 borrower in connection with the ~~revolving equity~~ line of credit to
11 the satisfaction of the ~~revolving line of credit and other sums~~
12 ~~secured by the related revolving line security instrument. equity~~
13 ~~line of credit.~~

14 (3) ~~When the balance of all outstanding sums secured by the~~
15 ~~related revolving line security instrument becomes zero, satisfy~~
16 ~~the related revolving line security instrument.~~

17 (3) *Reconvey the mortgage or deed of trust when the home equity*
18 *line of credit has a zero balance outstanding.*

19 (b) ~~No particular phrasing is required in the~~ The written request
20 provided to the lender to terminate an equity line of ~~credit, but~~
21 ~~credit~~ shall contain at least the following:

22 (1) The name of each borrower.

23 (2) The account number of the equity line of credit.

24 (3) The street address of the property, if appropriate.

25 (c) For purposes of this section "authorized person" includes a
26 licensed title insurance company, underwritten title company, or
27 controlled escrow company, as defined in Sections 12340.4,
28 12340.5, and 12340.6, respectively, of the Insurance Code, or an
29 escrow company as used in the Financial Code, *that is acting on*
30 *behalf of the borrower.*

31 (d) *For purposes of this section, "equity line of credit" means*
32 *a revolving line of credit secured by a mortgage or deed of trust.*

1 ~~(d)~~

2 (e) For purposes of this section, “receipt of a written request”
3 includes confirmation by fax, email, or paper copy sent by certified
4 mail: *delivered by first-class mail, registered or certified mail,*
5 *express mail, overnight delivery by an express services carrier,*
6 *email, facsimile, or other electronic means.*

7 ~~(e)~~

8 (f) A written request to terminate ~~a revolving line of credit~~
9 ~~secured by a mortgage or deed of trust~~ *an equity line of credit* from
10 an authorized person shall be provided to the borrower and be
11 accompanied by the following language:

12
13 ~~“NOTICE TO BORROWER”~~ *BORROWER*

14 You have a home equity line of credit with _____, secured by
15 a mortgage or deed of trust, and lien, on real property located at
16 _____.

17 Our company is handling the escrow for your transaction. We
18 are sending the attached notice to your lender, requesting ~~that~~
19 ~~cancellation of your home equity line of credit be terminated.~~
20 *credit.* Our reason for making this request is:
21 _____.

22 When your lender receives our request, your lender will ~~terminate~~
23 ~~and~~ close your home equity line of credit, and you will no longer
24 be able to obtain credit advances. However, ~~termination of this~~
25 ~~notice to cancel~~ your home equity line of credit does not release
26 you from liability for amounts owed under the account. ~~All sums~~
27 ~~your lender subsequently receives in connection with your home~~
28 ~~equity line of credit, including any sums we may send to your~~
29 ~~lender, shall~~ *Any funds sent to your lender in connection with your*
30 *home equity line of credit, including any funds we may send to*
31 *your lender, will* be applied by your lender to the satisfaction of
32 your account. When the balance of your account becomes zero,
33 your lender will be required to ~~cancel the mortgage or deed of trust~~
34 ~~as a matter of public record.~~ *remove the lien against the property*
35 *that is connected to the home equity line of credit.*

36 If you have questions about this notice or our action, *or believe*
37 *you have received this notice in error,* please contact _____
38 by calling us at _____ or writing to us at
39 _____.

40 _____

1 (Name of ~~Company~~ *Company*)”
2

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